

Discussion by Subcommittee for Residential Rates  
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RAC members: Dan Bentler, Hellmut Golde, Sara Thome  
Guest: Rud Okeson

The subcommittee discussed a number of issues regarding residential rates, noting that the adoption of any recommendation will have an effect on the result of adopting others. The subcommittee realizes that until details are known about revenue requirements and the cost of service allocations, all proposed recommendations at this stage are necessarily qualitative in nature.

Customer charge

Currently, the customer charge covers about 50% of the cost of reading meters, customer billing, and other overhead. The subcommittee feels that in the interest of rate payers paying for the cost of whatever service they use, the customer charge should eventually rise to 100% of cost. In the interest of gradualism, the subcommittee proposes the following recommendation:

At the beginning of the next rate period (early 2005), the customer charge for all residential customers should be increased to 75% of costs; one year later, it should be increased to 100%. Low-income customers should pay 50% of the charge.

Rationale: The increase is fair in that it is designed to cover the costs incurred by Seattle City Light. It also improves revenue stability.

Summer/Winter differential

If the cost of generating and/or buying power is greater in the winter than in the summer, Seattle City Light should propose different rates for these two periods (as distinct from differently-sized rate blocks). This should not only hold for residential customers but for all customers. The subcommittee proposes the following recommendation for adoption:

Seattle City Light should propose different rates for summer and winter months for all customers, provided that the cost of power generation/purchase are sufficiently different in these two periods.

Rationale: The principal reason for this proposal is that the energy cost to the rate payer should mirror the cost to Seattle City Light.

Block structure

The subcommittee spent a considerable amount of time discussing the block structure: third block, block sizes, and flat rate. It came to the conclusion that a flat rate for all residential rate payers is the fairest way (as it is now used for commercial and industrial customers), but that it would not be possible to immediately go from the current structure to a flat rate. The subcommittee proposes the following recommendations:

Abolish the third residential block at the beginning of the next rate period.

Rationale: Since there are less than 800 customers in this rate block and Seattle City Light has no detailed knowledge about who they are and what their reasons are for the high consumption, there is no good reason for maintaining the block. Also, the price difference is only about 1.4 ¢/kWh, which is not enough of an additional price signal to deter high consumption.

Gradually move from a block structure with different rates and block sizes to a flat rate for all residential customers. Seattle City Light is requested to prepare a number of different scenarios by which this can be accomplished over time for later discussion by the RAC.

Rationale: In the interest of fairness, all standard residential rate payers should pay the same cost per kWh. Low-income residents are encouraged to apply for the low-income rates. The rates under this proposal are sufficiently high to set a price signal for conservation.

The subcommittee also discussed briefly the proposal by Dan Bentler regarding rewarding customers who conserve electric power. Dan will prepare a separate paper on the conservation issue.

Hellmut Golde